House Passes Bill to Reform Wall Street and Protect Consumers

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“Part of the reason I voted against the bailout of Wall Street last year was because it contained no reforms to our financial system,” said Michaud. “This bill, although it comes a bit late, is a substantial step in the right direction. It will end bailouts by helping ensure taxpayers are never again on the hook for Wall Street’s risky behavior and bad bets. At the same time, it will protect consumers from predatory lending abuses, fine print, and industry gimmicks.”

Among other things, the bill creates the Consumer Financial Protection Agency (CFPA), a new, independent federal agency solely devoted to protecting Americans from unfair and abusive financial products and services. The bill would also outlaw many of the industry practices that marked the subprime lending boom, and it would ensure that mortgage lenders make loans that benefit the consumer. A fact sheet on the major provisions of the bill can be found here.

Michaud’s amendment passed as a part of the manager’s amendment to the bill. It requires the newly created CFPA to conduct a review of federal laws as they relate to escrow agencies. It would require a report to Congress on any changes in laws and regulations that would be necessary to better protect consumers. It would also require that the CFPA take steps within its authority that would protect consumers that utilize escrow companies.

Michaud’s amendment follows a Maine law authored by Representative Don Pilon of Saco that regulates exchange facilitators, more commonly known as “escrow agencies,” in Maine. Escrow companies are commonly used in the transfer of personal and business property.

In testimony on his legislation, Representative Pilon highlighted a number of high profile cases in other states in which hundreds of millions of dollars have been stolen by escrow agents that have simply closed their practice and left the state with the funds they were holding.

Because most states do not regulate these agencies, tracking and retrieving the funds has been difficult. Representative Pilon’s legislation, which is now Maine law, requires that escrow agents be licensed and able to demonstrate financial responsibility by obtaining fidelity bonds, surety bonds and insurance. The law also requires escrow agencies to maintain certain records of escrow transactions and prohibits practices for the protection of consumers.

Arizona, California, Colorado, Idaho, Minnesota, Nevada, Oklahoma, Oregon, Texas and Washington have also enacted legislation regulating exchange facilitators or are currently considering doing so.

At the present time, eight companies have become licensed to handle the funding for exchanges of properties in Maine. Only one company is located physically in Maine, while the others are headquartered in New Hampshire, Massachusetts, Ohio, New York and Illinois.

“The new law has served to raise the business profile of these companies, such that investors are more likely to ask questions that lead to informed decisions when utilizing the services of an exchange facilitator,” said Will Lund, Superintendent of Maine’s Bureau of Consumer Credit Protection, in a letter written to Michaud.

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